



# Why Global Trade: Motives and Controversy

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# What is Globalization?

Globalization is the internationalization of business, culture, and communications.

- Globalization 1.0 - 1492
- Globalization 2.0 - Industrial Revolution
- Globalization 3.0 - Information Age



# Global Linkages

Activities or events in one country can have far-reaching effects across the globe.

- **Government policy:** Bailout packages, stimulus, energy
- **Foreign markets:** European Union, China
- **Social movements and consumers:** Egypt, Tunisia, U.S.
- **War and conflict:** Afghanistan, Iraq, North Korea

# Connected World

Improvements in technology, transportation, and communication have increased **global connectedness** among:

- Individuals
- Businesses
- Economies
- Governments



# Why Trade?

Aversion to risk drives businesses to:

- **Diversify** their customer base: 70% of global purchasing power is outside of U.S.
- Pursue **growth** and increased **economic opportunities**: Europe accounts for nearly one-fifth of global exports
- **Hedge** against market fluctuations

# Why Trade?

Businesses capitalize on strengths to:

- Improve return on investment
- Increase capabilities
- Exploit unique technology or expertise
  - Domestically
  - Internationally



# Impacts of a Global Economy

**Economical and Industrial:** New markets and products

**Political:** European Union, APEC

**Financial:** World Trade Organization

**Informational:** Internet

**Technological:** Computing

**Ecological:** Energy, water

**Cultural:** Travel, tourism

**Social:** Connectedness



# Globalization and Montana

## Montana Businesses Compete Globally

In 2009, Montana exported over \$1.47 billion worth of goods and services to markets around the world.

### Top Montana Exports

- Agriculture
- Coal, minerals and ores
- Machinery
- Pharmaceuticals
- Chemicals
- Fossil fuels
- Medical instruments
- Vehicles and parts

# Global Focus: European Union

## The **European Union (E.U.)** is:

A union of 27 Member States covering 1.6 million square miles with roughly half a billion people producing almost a third of the world's gross national product and speaking more than 23 languages.



# Global Focus: Europe and the U.S.

## **Top Trade Relationship**

- The U.S. and the E.U. have the largest trade relationship in the world.
- Trade of goods and services totaled over \$810 billion in 2009.
- In 2009, foreign investment between the U.S. and the E.U. totaled over \$220 billion.

# Trade Challenges

## Economic

- Developing countries vs. developed countries
- Financial interdependency
- Trade imbalances

## Political

- Governments
- Trade policy
- Security



# Trade Challenges

## Environmental

- Pollution
- Natural resources
- Energy



## Social

- Labor
- Migration
- Education



# Resources

- U.S. Department of State - [www.state.gov](http://www.state.gov)
- U.S. Int'l Trade Administration - [trade.gov](http://trade.gov)
- U.S. Bureau of Economic Analysis - [bea.gov](http://bea.gov)
- MT World Trade Center - [www.mwtc.org](http://www.mwtc.org)
- MT Dept of Commerce - [commerce.mt.gov](http://commerce.mt.gov)
- CIA World Factbook - [www.cia.gov](http://www.cia.gov)
- U.S. Commercial Service - [export.gov](http://export.gov)

# How to Find More Information

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